

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **VILLAGE OF MAYVILLE**

Tuscola County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2006

# VILLAGE OF MAYVILLE

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**BERTHIAUME  
& COMPANY**

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

## **INDEPENDENT AUDITORS' REPORT**

To the Village Council  
Village of Mayville,  
Tuscola County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Mayville as of and for the year ended March 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Mayville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Mayville, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2006, on our consideration of the Village of Mayville's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Mayville's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

*Berthiaume & Co.*

June 5, 2006



## ***BASIC FINANCIAL STATEMENTS***

# VILLAGE OF MAYVILLE

## STATEMENT OF NET ASSETS

March 31, 2006

	<b>PRIMARY GOVERNMENT</b>			<b>Component Unit - DDA</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 153,861	\$ 218,475	\$ 372,336	\$ 9,012
Accounts receivable	5,100	83,831	88,931	-
Due from other governmental units	95,203	-	95,203	1,166
Internal balances	30,840	(30,840)	-	-
Prepaid expenses	29,310	5,678	34,988	-
Restricted cash and investments	-	50,000	50,000	-
Capital assets:				
Nondepreciable capital assets	80,122	30,500	110,622	25,673
Depreciable capital assets, net	306,690	1,447,370	1,754,060	-
Total assets	701,126	1,805,014	2,506,140	35,851
<b>LIABILITIES:</b>				
Accounts payable	79,519	6,172	85,691	7,831
Accrued expenses	5,658	-	5,658	-
Long-term liabilities:				
Due within one year	33,685	25,000	58,685	-
Due in more than one year	1,228,061	515,000	1,743,061	-
Total liabilities	1,346,923	546,172	1,893,095	7,831
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	(871,814)	937,870	66,056	25,673
Restricted for:				
Debt service	119,913	-	119,913	-
Streets	56,042	-	56,042	-
Unrestricted	50,062	320,972	371,034	2,347
Total net assets	\$ (645,797)	\$ 1,258,842	\$ 613,045	\$ 28,020

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF MAYVILLE

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## STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

	PROGRAM REVENUES				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) Revenue
Functions/Programs					
PRIMARY GOVERNMENT:					
Governmental activities:					
General government	\$ 113,042	\$ 20,295	\$ 20,000	\$ 55,000	\$ (17,746)
Public safety	205,278	28,546	34,117	42,750	(99,865)
Public works	222,652	126,581	35,178	-	(60,893)
Community and economic development	1,000	-	-	-	(1,000)
Recreation and culture	9,099	-	-	-	(9,999)
Total governmental activities	616,951	230,130	89,295	97,750	(199,776)
Business-type activities:					
Sewer	94,732	90,147	-	-	(4,585)
Water	137,597	168,056	-	-	30,459
Total business-type activities	232,329	258,203	-	-	25,874
Total primary government	\$ 849,280	\$ 488,333	\$ 89,295	\$ 97,750	\$ (173,902)
COMPONENT UNIT:					
Downtown development authority	\$ 86,591	\$ -	\$ 3,276	\$ -	\$ (83,315)
Total component unit	\$ 86,591	\$ -	\$ 3,276	\$ -	\$ (83,315)

(continued)

*The accompanying notes are an integral part of these financial statements.*



	<b>PRIMARY GOVERNMENT</b>			<b>Component Unit - DDA</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Changes in net assets:</b>				
Net (expense) revenue	\$ (199,776)	\$ 25,874	\$ (173,902)	\$ (83,315)
<b>General revenues:</b>				
Taxes:				
Property taxes, levied for general purpose	147,779	-	147,779	-
Property taxes, levied for debt service	35,180	-	35,180	-
Property taxes, captured by component unit	-	-	-	29,491
Grants and contributions not restricted to specific programs	119,025	-	119,025	-
Unrestricted investment earnings	2,310	3,007	5,317	857
Special item – gain (loss) on sale of capital asset	(1,864)	-	(1,864)	-
Total general revenues, contributions, special items and transfers	302,430	3,007	305,437	30,348
Change in net assets	102,654	28,881	131,535	(52,967)
Net assets, beginning of year, as restated	(748,451)	1,229,961	481,510	80,987
Net assets, end of year	\$ (645,797)	\$ 1,258,842	\$ 613,045	\$ 28,020

# VILLAGE OF MAYVILLE

## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2006

	<b>MAJOR FUNDS</b>			<b>NON-MAJOR FUND</b>	
	<b>General Fund</b>	<b>Major Street Fund</b>	<b>Debt Service Fund</b>	<b>Local Street Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 28,182	\$ 16,061	\$ 106,236	\$ 3,382	\$ 153,861
Accounts receivable	5,100	-	-	-	5,100
Due from other governmental units	58,406	25,069	-	11,728	95,203
Due from other funds	19,326	-	13,677	-	33,003
Prepaid expenditures	27,345	1,136	-	829	29,310
Total assets	\$ 138,359	\$ 42,266	\$ 119,913	\$ 15,939	\$ 316,477
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 79,519	\$ -	\$ -	\$ -	\$ 79,519
Due to other funds	-	1,455	-	708	2,163
Total liabilities	79,519	1,455	-	708	81,682
<b>Fund balances:</b>					
Reserved for:					
Prepaid expenditures	27,345	1,136	-	829	29,310
Debt service	-	-	119,913	-	119,913
Unreserved:					
General fund	31,495	-	-	-	31,495
Special revenue funds	-	39,675	-	14,402	54,077
Total fund balances	58,840	40,811	119,913	15,231	234,795
Total liabilities and fund balances	\$ 138,359	\$ 42,266	\$ 119,913	\$ 15,939	\$ 316,477

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF MAYVILLE

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2006

**Total fund balances for governmental funds** \$ 234,795

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	1,001,411	
Less accumulated depreciation	<u>(614,599)</u>	386,812

Interest payable in the governmental activities are not payable from  
current resources and therefore are not reported in the governmental  
funds. (5,658)

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Capital leases payable	(29,126)	
Contracts payable	(1,229,500)	
Compensated absences payable	<u>(3,120)</u>	<u>(1,261,746)</u>

**Net assets of governmental activities** \$ (645,797)

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF MAYVILLE

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<b>MAJOR FUNDS</b>			<b>NON-MAJOR FUND</b>	
	<b>General Fund</b>	<b>Major Street Fund</b>	<b>Debt Service Fund</b>	<b>Local Street Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>					
Property taxes	\$ 149,791	\$ 17,590	\$ -	\$ 17,590	\$ 184,971
Licenses and permits	660	-	-	-	660
Federal grants	42,750	-	-	-	42,750
State grants	124,756	56,137	-	23,866	204,759
Contributions from other units	107,345	14,778	-	7,343	129,476
Charges for services	118,118	-	54,708	-	172,826
Fines and forfeits	155	-	-	-	155
Interest and rents	2,568	-	1,742	-	4,310
Other revenue	16,458	-	-	-	16,458
Total revenues	562,601	88,505	56,450	48,809	756,365
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General government	112,017	-	-	-	112,017
Public safety	174,815	-	-	-	174,815
Public works	159,473	47,645	-	31,818	238,936
Health and welfare	2,110	-	-	-	2,110
Community and economic development	1,000	-	-	-	1,000
Recreation and culture	7,828	-	-	-	7,828
Capital outlay	115,384	-	-	-	115,384
Debt service:					
Principal	13,470	-	16,000	-	29,470
Interest and fees	2,263	-	61,770	-	64,033
Total expenditures	588,360	47,645	77,770	31,818	745,593
Excess (deficiency) of revenues over expenditures	(25,759)	40,860	(21,320)	16,991	10,772
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from banks/loans/notes	2,500	-	-	-	2,500
Transfers in	-	-	35,180	5,000	40,180
Transfers out	-	(22,590)	-	(17,590)	(40,180)
Total other financing sources (uses)	2,500	(22,590)	35,180	(12,590)	2,500
Net change in fund balances	(23,259)	18,270	13,860	4,401	13,275
Fund balances, beginning of year, restated	82,099	22,541	106,053	10,830	221,523
Fund balances, end of year	\$ 58,840	\$ 40,811	\$ 119,913	\$ 15,231	\$ 234,795

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF MAYVILLE

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2006

**Net change in fund balances - total governmental funds** **\$ 13,272**

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	115,384	
Less depreciation expense	<u>(51,060)</u>	64,324

Debt proceeds are recorded as a revenue in the governmental funds, but as a long-term liability in the statement of net assets (2,699)

Proceeds from the issuance of long-term debt is a revenue in the governmental funds, but are recorded as long-term liabilities in the statement of net assets (2,500)

Repayments on principal on capital leases and contracts payable are expenditures in governmental funds, but the payments reduce long-term liabilities in the statement of net assets. 29,470

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	525	
Change in accrued interest on bonds payable	<u>262</u>	787

**Change in net assets of governmental activities** **\$ 102,654**

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF MAYVILLE

## PROPRIETARY FUNDS – MAJOR ENTERPRISE FUNDS

### STATEMENT OF NET ASSETS

March 31, 2006

	<i>BUSINESS-TYPE ACTIVITIES</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
<b>ASSETS:</b>			
<b><i>Current assets:</i></b>			
Cash and cash equivalents	\$ 129,910	\$ 88,565	\$ 218,475
Accounts receivable	83,831	-	83,831
Due from other funds	-	33,575	33,575
Prepaid expenses	3,116	2,562	5,678
Total current assets	216,857	124,702	341,559
<b><i>Noncurrent assets:</i></b>			
Restricted cash and cash equivalents	-	50,000	50,000
Capital assets:			
Depreciable capital assets, net	562,981	914,889	1,477,870
Total noncurrent assets	562,981	964,889	1,527,870
Total assets	779,838	1,089,591	1,869,429
<b>LIABILITIES:</b>			
<b><i>Current liabilities:</i></b>			
Accounts payable	381	5,791	6,172
Due to other funds	61,209	3,206	64,415
Current portion of long-term debt	-	25,000	25,000
Total current liabilities	61,590	33,997	95,587
<b><i>Noncurrent liabilities:</i></b>			
Long-term debt	-	515,000	515,000
Total noncurrent liabilities	-	515,000	515,000
Total liabilities	61,590	548,997	610,587
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	562,981	374,889	937,870
Restricted for:			
Debt service	-	50,000	50,000
Unrestricted	155,267	115,705	270,972
Total net assets	\$ 718,248	\$ 540,594	\$ 1,258,842

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF MAYVILLE

*PROPRIETARY FUNDS – MAJOR ENTERPRISE FUNDS*  
**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS**

Year Ended March 31, 2006

	<i>BUSINESS-TYPE ACTIVITIES</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 69,999	\$ 153,454	\$ 223,453
Penalties	7,101	-	7,101
Other	13,047	14,602	27,649
Total operating revenues	90,147	168,056	258,203
<b>OPERATING EXPENSES:</b>			
Personnel	19,351	25,951	45,302
Fringe benefits	1,818	2,430	4,248
Supplies	19,180	7,874	27,054
Contracted services	2,983	17,254	20,237
Dues and membership fees	-	250	250
Education and training	-	403	403
Insurance	3,954	3,490	7,444
Utilities	1,637	8,571	10,208
Repair and maintenance	8,027	213	8,240
Equipment rental	4,132	6,716	10,848
Other services and supplies	3,187	3,319	6,506
Depreciation	30,463	33,501	63,964
Total operating expenses	94,732	109,972	204,704
Operating income (loss)	(4,585)	58,084	53,499
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	1,619	1,388	3,007
Interest expense	-	(27,625)	(27,625)
Total non-operating revenues (expenses)	1,619	(26,237)	(24,618)
Net income (loss)	(2,966)	31,847	28,881
Net assets, beginning of year	721,214	508,747	1,229,961
Net assets, end of year	\$ 718,248	\$ 540,594	\$ 1,258,842

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF MAYVILLE

## PROPRIETARY FUNDS – MAJOR ENTERPRISE FUNDS

### STATEMENT OF CASH FLOWS

Year Ended March 31, 2006

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b><i>Sewer Fund</i></b>	<b><i>Water Fund</i></b>	<b><i>Total</i></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 87,338	\$ 168,056	\$ 255,394
Cash payments to employees	(21,169)	(28,381)	(49,550)
Cash payments to suppliers for goods and services	(44,939)	(44,931)	(89,870)
Net cash provided (used) by operating activities	21,230	94,744	115,974
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	-	(3,600)	(3,600)
Principal payments	-	(25,000)	(25,000)
Interest paid	-	(27,625)	(27,625)
Net cash provided by capital and related financing activities	-	(56,225)	(56,225)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	1,619	1,388	3,007
Net cash provided by investing activities	1,619	1,388	3,007
Net increase (decrease) in cash and cash equivalents	22,849	39,907	62,756
Cash and cash equivalents, end of year	107,061	98,658	205,719
Cash and cash equivalents, end of year	\$ 129,910	\$ 138,565	\$ 268,475
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (4,585)	\$ 58,084	\$ 53,499
Adjustments:			
Depreciation	30,463	33,501	63,964
Change in assets and liabilities:			
Accounts receivable	(2,809)	-	(2,809)
Due from other funds	-	1,363	1,363
Prepaid expenses	1	-	1
Accounts payable	(1,924)	902	(1,022)
Due to other funds	84	894	978
Net cash provided (used) by operating activities	\$ 21,230	\$ 94,744	\$ 115,974

The accompanying notes are an integral part of these financial statements.



## ***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF MAYVILLE

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Village of Mayville conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

**Discretely Presented Component Units** - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

***Downtown Development Authority*** - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

# VILLAGE OF MAYVILLE

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# VILLAGE OF MAYVILLE

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the maintenance and construction of the Village's major street system.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, the Village's Storm Water System contract payable, interest, and related costs.

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

# VILLAGE OF MAYVILLE

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Inventories and Prepaid Items** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Vehicles	5-10 years
Furniture	5-10 years
Equipment	5-25 years
Infrastructure	5-50 years

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# VILLAGE OF MAYVILLE

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 30.

The 2005 taxable valuation of the Village totaled \$15,445,472, on which ad valorem taxes levied consisted of 10.6921 mills for the Village's operating purposes, of which 2.2653 mills was allocated to municipal streets.

The delinquent real property taxes of the Village are purchased by Tuscola County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

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## **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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### **Budgetary Information:**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Clerk submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Fund budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the Village did not incur any expenditures that were in excess of the amounts budgeted.

# VILLAGE OF MAYVILLE

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

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### NOTE 3: DEPOSITS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits are subject to custodial risk, which is presented in more detail as follows:

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to them. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$436,154 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$250,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

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### NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

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#### **Water Fund Reserves:**

The Village's ordinances authorizing issuance of the 1981 Water Supply System Revenue Bonds require that specific accounts be established and monies deposited as follows:

***Receiving Account*** – All receipts are initially deposited into this account.

***Operation and Maintenance Account*** – Transfers are to be made to cover upcoming operating expenses.

***Bond and Interest Redemption Account*** – Monthly transfers are to be made equal to 1/6 of the next interest payment due plus 1/12 of the next principal payment due.

***Water Bond Reserve Account*** – Annually \$5,000 is to be transferred to this account until \$50,000 is accumulated.

# VILLAGE OF MAYVILLE

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

At March 31, 2006 the Village had these accounts established and had restricted cash as follows:

	<i>REQUIREMENTS</i>			<i>Amount Funded Restricted Cash Balance</i>
	<i>March 31, 2005</i>	<i>Additions (Reductions)</i>	<i>March 31, 2006</i>	<i>March 31, 2006</i>
Bond and interest redemption fund	\$ 12,500	\$ -	\$ 12,500	\$ -
Bond reserve account	50,000	-	50,000	50,000
	<u>\$ 62,500</u>	<u>\$ -</u>	<u>\$ 62,500</u>	<u>\$ 50,000</u>

The Village has not funded the bond and interest redemption fund as required by the bond ordinance.

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## NOTE 5: CAPITAL ASSETS

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Primary Government capital asset activity for the year ended March 31, 2006 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 21,122	\$ 59,000	\$ -	\$ 80,122
Depreciable capital assets:				
Land improvements	23,479	2,900	-	26,379
Buildings and improvements	173,493	-	-	173,493
Equipment	200,628	53,484	-	254,112
Vehicles	489,511	-	(22,206)	467,305
Total depreciable capital assets	887,111	56,384	(22,206)	921,289
Accumulated depreciation	(583,046)	(51,060)	19,507	(614,599)
Depreciable capital assets, net	304,065	5,324	(2,699)	306,690
Governmental activities, capital assets, net	<u>\$ 325,187</u>	<u>\$ 64,324</u>	<u>\$ (2,699)</u>	<u>\$ 386,812</u>



# VILLAGE OF MAYVILLE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
<b>Business-type activities:</b>				
Nondepreciable capital assets				
Land	\$ 30,500	\$ -	\$ -	\$ 30,500
Depreciable capital assets				
Buildings and improvements	9,874	-	-	9,874
Water towers	256,409	-	-	256,409
Equipment	18,413	-	-	18,413
Meters and boxes	52,944	-	-	52,944
Collection system	1,339,762	-	-	1,339,762
Distribution system	1,185,782	3,600	-	1,189,382
Total depreciable capital assets	2,863,184	3,600	-	2,866,784
Accumulated depreciation	(1,355,450)	(63,964)	-	(1,419,414)
Depreciable capital assets, net	1,507,734	(60,364)	-	1,447,370
Business-type activities, capital assets, net	\$ 1,538,234	\$ (60,364)	\$ -	\$ 1,477,870
<b>Component unit activities:</b>				
Nondepreciable capital assets				
Land	\$ -	\$ 25,673	\$ -	\$ 25,673

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 664
Public safety	31,258
Public works	17,867
Recreation and culture	1,271
Total governmental activities	<u>\$ 51,060</u>
<b>Business-type activities:</b>	
Sewer	\$ 30,463
Water	33,501
Total business-type activities	<u>\$ 63,964</u>

# VILLAGE OF MAYVILLE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### NOTE 6: LONG-TERM LIABILITIES

The Village issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at March 31, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b><u>Governmental Activities</u></b>					
<b><u>Capital Lease Purchase Agreements:</u></b>					
2005 Contract - 2005 Crown Victoria	3/23/07-3/23/08	5.45%	\$6,377-6,726	\$ 26,242	\$ 13,103
2003 Contract - 1998 GMC Dump Truck	9/29/06-9/29/07	5.20%	7,808-8,215	30,500	16,023
<b><u>Contracts Payable:</u></b>					
1996 Contract - Storm Water System Project	9/1/06-9/1/36	5.125%	18,000-74,000	1,350,000	1,227,000
2006 Contract - Ambulance building	1/6/07-1/6/08	4.50-4.75%	1,000-1,500	2,500	2,500
<b><u>Business-type Activities</u></b>					
<b><u>Revenue Bonds:</u></b>					
1981 Issue - Water Supply System Revenue Bonds					
Serial Current Interest Bonds	10/1/06-10/1/20	5.0%	25,000-50,000	830,000	540,000

The following is a summary of long-term liabilities transactions for the year ended March 31, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Capital Lease Purchase Agreements					
2005 Contract	\$ 19,151	\$ -	\$ (6,048)	\$ 13,103	\$ 6,377
2003 Contract	23,445	-	(7,422)	16,023	7,808
Contracts Payable					
1996 Contract	1,243,000	-	(16,000)	1,227,000	18,000
2006 Contract	-	2,500.00	-	2,500.00	1,500
Compensated Absences	7,290	-	(4,170)	3,120	-
Total governmental activities					
- long-term liabilities	\$ 1,292,886	\$ 2,500	\$ (33,640)	\$ 1,261,746	\$ 33,685
<b>Business-type activities:</b>					
Revenue Bonds:					
1981 Issue	\$ 565,000	\$ -	\$ (25,000)	\$ 540,000	\$ 25,000

# VILLAGE OF MAYVILLE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

<i>Year Ended</i> <i>March 31,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 33,685	\$ 62,470	\$ 96,155	\$ 25,000	\$ 26,375	\$ 51,375
2008	33,941	61,291	95,232	30,000	25,000	55,000
2009	19,000	60,552	79,552	30,000	23,500	53,500
2010	20,000	59,553	79,553	30,000	22,000	52,000
2011	21,000	58,502	79,502	30,000	20,500	50,500
2012-2016	122,000	274,854	396,854	175,000	77,875	252,875
2017-2021	156,000	239,338	395,338	220,000	28,750	248,750
2022-2026	200,000	193,983	393,983	-	-	-
2027-2031	254,000	136,070	390,070	-	-	-
2032-2036	325,000	62,141	387,141	-	-	-
2037-2041	74,000	1,896	75,896	-	-	-
	<u>\$ 1,258,626</u>	<u>\$ 1,210,650</u>	<u>\$ 2,469,276</u>	<u>\$ 540,000</u>	<u>\$ 224,000</u>	<u>\$ 764,000</u>

## NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at March 31, 2006 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Major Street	\$ 1,455
	Local Street	708
	Sewer Fund	13,957
	Water Fund	3,206
		<u>19,326</u>
Debt Service Fund	Sewer Fund	<u>13,677</u>
Water Fund	Sewer Fund	<u>33,575</u>
		<u>\$ 85,904</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# VILLAGE OF MAYVILLE

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

Interfund transfers reported in the fund statements were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
Major Street Fund	Local Street Fund	\$ 5,000
Major Street Fund	Debt Service Fund	17,590
Local Street Fund	Debt Service Fund	<u>17,590</u>
	Total	<u>\$ 40,180</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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### NOTE 8: RISK MANAGEMENT

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The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village has purchased commercial insurance for medical benefits, manages its workers compensation risk, by participating in Michigan Municipal Workers Compensation Fund, and its liability and property risk by participating in the Michigan Township Participating Plan a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its workers compensation, property and liability insurance coverage. Both the Michigan Municipal Workers Compensation Fund and the Michigan Township Participating Plan are self-sustaining through member premiums. The Michigan Township Participating Plan provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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### NOTE 9: DEFINED CONTRIBUTION PENSION PLAN

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The Village has a defined contribution pension plan administered by The Variable Annuity Life Insurance Company. All employees except for volunteer firefighters are eligible for benefits. The Village contributes 8.25% of each eligible employee's pay to the plan. For the fiscal year ended March 31, 2006, the Village made contributions of \$11,047 into the pension plan.

# VILLAGE OF MAYVILLE

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

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### NOTE 10: POST EMPLOYMENT BENEFITS

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The Village currently does not provide post employment benefits other than its pension plan.

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### NOTE 11: PRIOR PERIOD ADJUSTMENTS

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#### FUND STATEMENTS:

##### Change in Recognition of Sales Tax Revenue:

In the prior year, the receivable recorded for the payment distributed in April 2005 for March and April 2005 collection period was overstated by \$7,546.

The effect of this adjustment on General Fund fund balance is as follows:

	<i>General Fund</i>
Fund balance, as previously stated, as of 3/31/05	\$ 89,645
Add: State shared revenue for sales tax that should not have been recorded as receivable	<u>(7,546)</u>
Fund balance, restated, as of 3/31/05	<u>\$ 82,099</u>

##### Change in Recognition of Contribution from County for Road and Bridge Taxes Levied:

Recognition of funds from property tax levies should coincide with the year the taxes were levied. In prior years, the payment distributed by Tuscola County in either March or April was recorded as revenue in the year that it was received. In accordance with accounting principles generally accepted in the United States of America, this payment should be accrued to the prior year.

The effect of this adjustment on Major Street and Local Street fund balances is as follows:

	<i>Major Street Fund</i>	<i>Local Street Fund</i>
Fund balance, as previously stated, as of 3/31/05	\$ 8,266	\$ 3,710
Add: Contribution from 2004 County tax levy that should have been recorded as revenue	<u>14,275</u>	<u>7,120</u>
Fund balance, restated, as of 3/31/05	<u>\$ 22,541</u>	<u>\$ 10,830</u>

# VILLAGE OF MAYVILLE

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### GOVERNMENT-WIDE STATEMENTS:

#### Change in Recognition of Accrued Interest Payable:

Accrued interest payable should be recorded for the governmental activity debt. In the prior year there was no accrual recorded for the interest payable on the governmental activity debt. In accordance with accounting principles generally accepted in the United States of America, this accrual should be recognized in the prior year.

#### Change in Recognition of Compensated Absences Payable:

In the prior year the payable for compensated absences was recorded at 100% of the banked days. The Village policy is to pay 50% of this amount upon retirement or death.

#### Change in Reporting of Downtown Development Authority:

Based on criteria established by GASB #14, the Downtown Development Authority should be recorded as a discretely presented component unit. In prior years, the Downtown Development Authority was recorded as blended component unit.

The effect of these adjustments and the Fund Statement adjustments on the Governmental Activity Net Assets is as follows:

Net assets, as previously stated, as of 3/31/05	\$ (679,038)
Deduct: Accrued interest payable that should have been recorded	(5,920)
Add: 50% of compensated absences payable at March 31, 2005 that should not have been recorded	3,645
Deduct: Net assets of Downtown Development Authority that was incorrectly blended	(80,987)
Deduct: Overstatement of State shared revenue for sales tax receivable with Village funds	(7,546)
Add: Contribution from 2004 County tax levy that should have been recorded as revenue	<u>21,395</u>
Net assets, restated, as of 3/31/05	<u>\$ (748,451)</u>

***REQUIRED SUPPLEMENTAL INFORMATION***

# VILLAGE OF MAYVILLE

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
<b>REVENUES:</b>				
Property taxes	\$ 148,877	\$ 148,993	\$ 149,791	\$ 798
Licenses and permits	425	425	660	235
Federal grants	3,980	42,750	42,750	-
State grants	126,581	125,731	124,756	(975)
Contributions from other units	49,275	105,425	107,345	1,920
Charges for services	118,713	118,713	118,118	(595)
Fines and forfeits	-	200	155	(45)
Interest and rents	400	2,525	2,568	43
Other revenue	13,950	15,735	16,458	723
Total revenues	462,201	560,497	562,601	2,104
<b>EXPENDITURES:</b>				
<i>Current:</i>				
General government	108,416	112,340	112,017	(323)
Public safety	175,966	180,974	174,815	(6,159)
Public works	159,417	161,390	159,473	(1,917)
Health and welfare	2,110	2,110	2,110	-
Community and economic development	590	1,090	1,000	(90)
Recreation and culture	9,936	7,877	7,828	(49)
Capital outlay	15,508	115,385	115,384	(1)
Debt service:				
Principal	6,048	13,470	13,470	-
Interest and fees	2,593	2,263	2,263	-
Total expenditures	480,584	596,899	588,360	(8,539)
Excess (deficiency) of revenues over expenditures	(18,383)	(36,402)	(25,759)	10,643
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from banks/loans/notes	-	2,500	2,500	-
Transfers in	20,000	-	-	-
Total other financing sources (uses)	20,000	2,500	2,500	-
Net change in fund balances	1,617	(33,902)	(23,259)	10,643
Fund balances, beginning of year, restated	82,099	82,099	82,099	-
Fund balances, end of year	\$ 83,716	\$ 48,197	\$ 58,840	\$ 10,643



# VILLAGE OF MAYVILLE

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## *SPECIAL REVENUE FUND – MAJOR STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2006

	<b><u>BUDGETED AMOUNTS</u></b>		<i>Actual Over (Under) Final Budget</i>	
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
<b>REVENUES:</b>				
Property taxes	\$ 15,555	\$ 17,590	\$ 17,590	\$ -
State grants	56,000	56,000	56,137	137
Contributions from other units	13,217	14,275	14,778	503
Total revenues	84,772	87,865	88,505	640
<b>EXPENDITURES:</b>				
<i>Current:</i>				
Public works	52,488	54,689	47,645	(7,044)
Total expenditures	52,488	54,689	47,645	(7,044)
Excess (deficiency) of revenues over expenditures	32,284	33,176	40,860	7,684
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(21,055)	(27,590)	(22,590)	5,000
Total other financing sources (uses)	(21,055)	(27,590)	(22,590)	5,000
Net change in fund balance	11,229	5,586	18,270	12,684
Fund balances, beginning of year, restated	22,541	22,541	22,541	-
Fund balances, end of year	\$ 33,770	\$ 28,127	\$ 40,811	\$ 12,684

***OTHER SUPPLEMENTAL INFORMATION***

# VILLAGE OF MAYVILLE

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

#### REVENUES:

##### *Current Taxes:*

Property taxes	\$ 147,779
Administration fees	2,012
	<hr/> 149,791

##### *Licenses and Permits:*

Nonbusiness licenses and permits	660
	<hr/> 660

##### *Federal Grants:*

Fire equipment grant	42,750
	<hr/> 42,750

##### *State Grants:*

Liquor license fees	1,272
State revenue sharing – sales tax	119,025
Metro Act	3,959
Police	500
	<hr/> 124,756

##### *Contribution from Other Units:*

Fire protection fees	28,125
County penal fines	4,220
Administration fee – Downtown Development Authority	20,000
Reimbursement on property purchase – D.D.A.	55,000
	<hr/> 107,345

##### *Charges for Services:*

Refuse collection fees	44,486
Equipment rental	45,241
Police services and reports	439
Fire runs	27,952
	<hr/> 118,118

##### *Fines and Forfeits:*

Ordinance fines	155
	<hr/> 155

##### *Interest and Rents:*

Interest	568
Rents	2,000
	<hr/> 2,568

##### *Other Revenue:*

Sale of fixed assets	835
Refunds and rebates	11,499
Other	4,124
	<hr/> 16,458

Total revenues	562,601
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#### OTHER FINANCING SOURCES:

Proceeds from contract payable	2,500
	<hr/>

Total revenues and other financing sources	<hr/> <hr/> \$ 565,101
--------------------------------------------	------------------------

# VILLAGE OF MAYVILLE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

#### EXPENDITURES:

##### *General Government:*

###### *Manager:*

Personnel	\$ 17,916
Fringe benefits	10,587
Supplies	2,167
Telephone	962
Mileage	2,158
Dues and memberships	584
Education and training	2,766
	<hr/>
	37,140

###### *Administration:*

Personnel	16,492
Fringe benefits	22,881
Supplies	5,819
Contracted services	1,698
Mileage	16
Dues and memberships	1,085
Insurance	21,384
	<hr/>
	69,375

###### *Audit:*

Contracted services	3,128
	<hr/>
	3,128

###### *Elections:*

Personnel	1,333
Fringe benefits	102
Contracted services	939
	<hr/>
	2,374

Total general government	<hr/>
	112,017

##### *Public Safety:*

###### *Police:*

Personnel	70,560
Fringe benefits	5,765
Supplies	8,292
Contracted services	290
Telephone	988
Education and training	1,668
Insurance	24,871
Repairs and maintenance	626
Other	85
	<hr/>
	113,145

# VILLAGE OF MAYVILLE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2006

#### EXPENDITURES, continued

##### *Public Safety, continued*

###### *Fire:*

Personnel	29,342
Fringe benefits	2,245
Supplies	5,185
Contracted services	2,599
Telephone	2,594
Mileage	1,228
Dues and memberships	425
Education and training	1,436
Insurance	8,290
Utilities	4,696
Repairs and maintenance	2,567
	<hr/>
	60,607

###### *Protective Inspection:*

Contracted services	<hr/>
	1,063
	<hr/>
	1,063

Total public safety	<hr/>
	174,815

##### *Public Works:*

###### *Department of Public Works:*

Personnel	29,417
Fringe benefits	840
Supplies	15,859
Telephone	1,877
Insurance	27,312
Utilities	5,592
Repairs and maintenance	11,949
Other	137
	<hr/>
	92,983

###### *Sidewalks:*

Personnel	168
Fringe benefits	18
	<hr/>
	186

###### *Drains – Public Benefit:*

Personnel	1,428
Fringe benefits	138
Contracted services	762
	<hr/>
	2,328

###### *Street Lighting:*

Utilities	<hr/>
	19,406
	<hr/>
	19,406

# VILLAGE OF MAYVILLE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2006

#### EXPENDITURES, continued

##### *Public Works, continued*

##### *Refuse Collection/Disposal:*

Contracted services	44,570
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	44,570
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Total public works	159,473
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##### *Health and Welfare:*

##### *Ambulance:*

Contracted services	2,110
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	2,110
--	-------

Total health and Welfare	2,110
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##### *Community and Economic Development:*

##### *Economic Development:*

Contracted services	1,000
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	1,000
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Total community and economic development	1,000
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##### *Recreation and Culture:*

##### *Parks and Recreation Department:*

Personnel	4,446
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Fringe benefits	430
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Supplies	243
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Insurance	139
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Utilities	1,123
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Repairs and maintenance	1,115
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Equipment rental	332
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	7,828
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Total recreation and culture	7,828
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##### *Capital Outlay:*

General government	61,119
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Public safety	51,365
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Recreation and culture	2,900
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Total capital outlay	115,384
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##### *Debt Service:*

Principal	13,470
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Interest and fees	2,263
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Total debt service	15,733
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Total expenditures	\$ 588,360
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# VILLAGE OF MAYVILLE

## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

March 31, 2006

#### CONTRACT PAYABLE - STORM WATER SYSTEM PROJECT

Contract dated December 1, 1996 in the amount of \$ 1,350,000

Less: Principal paid in prior years (107,000)  
Principal paid in current year (16,000)

Balance payable at March 31, 2006 \$ 1,227,000

Balance payable as follows:

<i>Year Ended</i>	<i>Rate</i>	<i>Principal September 1</i>	<i>Interest September 1</i>	<i>Interest March 1</i>	<i>Total Annual Requirement</i>
2007	5.125%	\$ 18,000	\$ 31,442	\$ 30,981	\$ 80,423
2008		18,000	30,981	30,519	79,500
2009		19,000	30,519	30,033	79,552
2010		20,000	30,033	29,520	79,553
2011		21,000	29,520	28,982	79,502
2012		22,000	28,982	28,418	79,400
2013		23,000	28,418	27,829	79,247
2014		24,000	27,829	27,214	79,043
2015		26,000	27,214	26,547	79,761
2016		27,000	26,547	25,856	79,403
2017		28,000	25,856	25,138	78,994
2018		30,000	25,139	24,369	79,508
2019		31,000	24,369	23,575	78,944
2020		33,000	23,575	22,729	79,304
2021		34,000	22,729	21,859	78,588
2022		36,000	21,858	20,936	78,794
2023		38,000	20,936	19,962	78,898
2024		40,000	19,962	18,937	78,899
2025		42,000	18,937	17,861	78,798
2026		44,000	17,861	16,733	78,594
2027		46,000	16,734	15,554	78,288
2028		48,000	15,554	14,325	77,879
2029		51,000	14,324	13,018	78,342
2030		53,000	13,018	11,659	77,677
2031		56,000	11,660	10,224	77,884
2032		59,000	10,224	8,713	77,937
2033		62,000	8,712	7,124	77,836
2034		65,000	7,124	5,458	77,582
2035		68,000	5,458	3,716	77,174
2036		71,000	3,716	1,896	76,612
2037		74,000	1,896	-	75,896
		\$ 1,227,000	\$ 621,127	\$ 589,685	\$ 2,437,812

# VILLAGE OF MAYVILLE

## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS (CONTINUED)

March 31, 2006

#### CAPITAL LEASE PURCHASE AGREEMENT - 2005 CROWN VICTORIA

Contract dated March 23, 2005 in the amount of	\$	26,242
Less:		
Principal paid in prior years		(7,091)
Principal paid in current year		<u>(6,048)</u>
Balance payable at March 31, 2006	\$	<u>13,103</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Annual Requirement</i>
2007	5.45%	\$ 6,377	\$ 714	\$ 7,091
2008	5.45%	6,726	365	7,091
		<u>\$ 13,103</u>	<u>\$ 1,079</u>	<u>\$ 14,182</u>

Note: The General Fund is obligated for this debt.

#### CAPITAL LEASE PURCHASE AGREEMENT - USED 1998 GMC DUMP TRUCK

Contract dated September 29, 2003 in the amount of	\$	30,500
Less:		
Principal paid in prior years		(7,055)
Principal paid in current year		<u>(7,422)</u>
Balance payable at March 31, 2006	\$	<u>16,023</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Annual Requirement</i>
2007	5.20%	\$ 7,808	\$ 833	\$ 8,641
2008	5.20%	8,215	426	8,641
		<u>\$ 16,023</u>	<u>\$ 1,259</u>	<u>\$ 17,282</u>

Note: The General Fund is obligated for this debt.



# VILLAGE OF MAYVILLE

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS (CONTINUED)

March 31, 2006

#### CONTRACT PAYABLE - BUILDING

Contract dated January 6, 2006 in the amount of	\$	2,500
Less: Principal paid in prior years		-
Principal paid in current year		-
		<hr/>
Balance payable at March 31, 2006	\$	<u>2,500</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Annual Requirement</i>
2007	0.00%	\$ 1,500	\$ -	\$ 1,500
2008		1,000	-	1,000
		<hr/>		
		\$ 2,500	\$ -	\$ 2,500
		<hr/>		

Note: The General Fund is obligated for this debt.

# VILLAGE OF MAYVILLE

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## *BUSINESS-TYPE ACTIVITIES*

### **SCHEDULE OF INDEBTEDNESS**

March 31, 2006

#### **GENERAL OBLIGATION BOND - 1981 WATER SUPPLY SYSTEM REVENUE BONDS**

Issue dated April 1, 1981 in the amount of	\$	830,000
Less:		
Principal paid in prior years		(265,000)
Principal paid in current year		<u>(25,000)</u>
Balance payable at March 31, 2006	\$	<u>540,000</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Rate</i>	<i>Principal October 1</i>	<i>Interest October 1</i>	<i>Interest April 1</i>	<i>Total Annual Requirement</i>
2007	5.00%	\$ 25,000	\$ 13,500	\$ 12,875	\$ 51,375
2008	5.00%	30,000	12,875	12,125	55,000
2009	5.00%	30,000	12,125	11,375	53,500
2010	5.00%	30,000	11,375	10,625	52,000
2011	5.00%	30,000	10,625	9,875	50,500
2012	5.00%	30,000	9,875	9,125	49,000
2013	5.00%	35,000	9,125	8,250	52,375
2014	5.00%	35,000	8,250	7,375	50,625
2015	5.00%	35,000	7,375	6,500	48,875
2016	5.00%	40,000	6,500	5,500	52,000
2017	5.00%	40,000	5,500	4,500	50,000
2018	5.00%	40,000	4,500	3,500	48,000
2019	5.00%	45,000	3,500	2,375	50,875
2020	5.00%	45,000	2,375	1,250	48,625
2021	5.00%	50,000	1,250	-	51,250
		<u>\$ 540,000</u>	<u>\$ 118,750</u>	<u>\$ 105,250</u>	<u>\$ 764,000</u>

Note: The Water Fund is obligated for this debt.

BERTHIAUME  
& COMPANY

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Mayville,  
Tuscola County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Mayville, as of and for the year ended March 31, 2006, which collectively comprise the Village of Mayville's basic financial statements and have issued our report thereon dated June 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village of Mayville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Mayville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants

June 5, 2006



August 2, 2006

To The Village Council  
Village of Mayville

We have audited the financial statements of the Village of Mayville for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the Village of Mayville in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances,

makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Mayville are described in Note 1 to the financial statements. We noted no transactions entered into by the Village of Mayville during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated June 5, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants